

PERAC AUDIT REPORT



Newburyport Contributory Retirement System

JAN. 1, 2004 - DEC. 31, 2005



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Findings and Recommendations.....	2
Statement of Ledger Assets and Liabilities.....	4
Statement of Changes in Fund Balances	5
Statement of Receipts.....	6
Statement of Disbursements.....	7
Investment Income	8
Schedule of Allocation of Investments Owned.....	9
Supplementary Investment Regulations	10
<u>Notes to Financial Statements:</u>	
Note 1 - Summary of Plan Provisions	11
Note 2 - Significant Accounting Policies	18
Note 3 - Supplementary Membership Regulations.....	19
Note 4 - Administration of the System	20
Note 5 - Actuarial Valuation and Assumptions.....	21
Note 6 - Membership Exhibit.....	22

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*
KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS | THOMAS TRIMARCO

JOSEPH E. CONNARTON, *Executive Director*

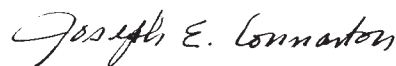
July 20, 2007

The Public Employee Retirement Administration Commission has completed an examination of the Newburyport Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2004 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners James Ryan and James Tivnan who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Board Member Attendance:

A review of meeting attendance by Board members revealed a significant level of absenteeism. A member missed 46% of meetings held in 2004; and 50% of meetings held in 2005. The result is an attendance rate for a Board member that was well below the seventy-five percent minimum considered reasonable for each of the two years evaluated. Such a level of absenteeism is considered to be excessive.

Recommendation: Attendance at Board meetings is an obligation that must be fulfilled by all Board members. It is the Board's responsibility to counsel members who do not regularly attend meetings that they jeopardize their fiduciary duty to the retirement system. The Board should consider adjusting the schedule of Board meetings in order to better accommodate its members. The stipend for Board members should be contingent upon regular attendance and participation at the monthly Board meetings. In extreme conditions, it may be necessary to take appropriate action with members who fail to maintain minimum attendance requirements.

Board Response:

The Newburyport Retirement Board encourages its members to attend all Board meetings and will make every effort to improve attendance. However, the Board's responsibility is not limited to meeting attendance alone, but being an active member in all areas. The Board's understanding is that the stipend is an annual stipend for Board members, and it does not feel it should be tied to individual meeting attendance.

2. Membership:

PERAC auditors sampled members' deduction rates to determine that correct percentages are being withheld and that the additional 2% deduction is withheld from those members who make over \$30,000 and were hired after January 1, 1979. It was observed that members receive separate checks for longevity allowances. For that pay period when more than one pay check is issued the Board is receiving less than the required 2% additional retirement deduction. The payroll department annualizes each paid earnings payment based on \$30,000 rather than combining regular earnings from both paychecks. This results in under withholding the additional 2% when more than one pay check that includes longevity and similar regular recurring forms of compensation, is generated per pay period.

Recommendation: The Board must comply with G.L. c. 32, § 22(1)(b), and PERAC Memo #43/1999, which directs that the additional 2% deductions be withheld on total regular income over \$30,000 on a per pay-period basis. The payroll system must combine all earnings subject to retirement deductions for each member from all payroll sources. This would provide the proper basis for calculating the additional 2% deduction accurately and consistently.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Board Response:

The Board will work with the Treasurer's Office to make sure that the 2% is deducted correctly for all pay periods, including those in which more than one check is issued.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

		AS OF DECEMBER 31,	
		2005	2004
Net Assets Available For Benefits:			
Cash		\$586,426	\$504,821
PRIT Cash Fund		0	0
PRIT Core Fund		36,643,473	32,660,463
Interest Due and Accrued		113	44
Accounts Receivable		1,555,550	1,300,754
Accounts Payable		(31)	(31)
Total		<u>\$38,785,530</u>	<u>\$34,466,050</u>
Fund Balances:			
Annuity Savings Fund		\$10,419,939	\$9,607,896
Annuity Reserve Fund		4,127,469	4,339,826
Pension Fund		4,127,755	4,117,891
Military Service Fund		18,487	18,376
Expense Fund		0	0
Pension Reserve Fund		<u>20,091,881</u>	<u>16,382,060</u>
Total		<u>\$38,785,530</u>	<u>\$34,466,050</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2004)	8,494,782	4,530,139	4,324,637	18,267	0	12,900,685	30,268,510
Receipts	1,439,624	128,953	3,102,151	110	228,342	3,470,547	8,369,726
Inter Fund Transfers	(187,272)	176,443	0	0	0	10,829	0
Disbursements	(139,239)	(495,708)	(3,308,897)	0	(228,342)	0	(4,172,186)
Ending Balance (2004)	9,607,896	4,339,826	4,117,891	18,376	0	16,382,060	34,466,050
Receipts	1,280,618	125,915	3,375,511	110	281,466	3,709,821	8,773,441
Inter Fund Transfers	(167,452)	167,452	0	0	0	0	0
Disbursements	(301,123)	(505,724)	(3,365,648)	0	(281,466)	0	(4,453,960)
Ending Balance (2005)	<u>\$10,419,939</u>	<u>\$4,127,469</u>	<u>\$4,127,755</u>	<u>\$18,487</u>	<u>\$0</u>	<u>\$20,091,881</u>	<u>\$38,785,530</u>

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004
Annuity Savings Fund:		
Members Deductions	\$1,153,794	\$1,143,545
Transfers from Other Systems	64,328	185,308
Member Make Up Payments and Re-deposits	6,079	58,727
Investment Income Credited to Member Accounts	<u>56,418</u>	<u>52,045</u>
Sub Total	<u>1,280,618</u>	<u>1,439,624</u>
Annuity Reserve Fund:		
Investment Income Credited to the Annuity Reserve Fund	<u>125,915</u>	<u>128,953</u>
Pension Fund:		
3 (8) (c) Reimbursements from Other Systems	59,269	59,547
Received from Commonwealth for COLA and Survivor Benefits	170,494	156,958
Pension Fund Appropriation	<u>3,145,749</u>	<u>2,885,647</u>
Sub Total	<u>3,375,511</u>	<u>3,102,151</u>
Military Service Fund:		
Investment Income Credited to the Military Service Fund	<u>110</u>	<u>110</u>
Sub Total	<u>110</u>	<u>110</u>
Expense Fund:		
Investment Income Credited to the Expense Fund	<u>281,466</u>	<u>228,342</u>
Sub Total	<u>281,466</u>	<u>228,342</u>
Pension Reserve Fund:		
Federal Grant Reimbursement	0	0
Pension Reserve Appropriation	0	0
Interest Not Refunded	1,666	1,172
Miscellaneous Income	0	0
Excess Investment Income	<u>3,708,155</u>	<u>3,469,374</u>
Sub Total	<u>3,709,821</u>	<u>3,470,547</u>
Total Receipts	<u>\$8,773,441</u>	<u>\$8,369,726</u>

STATEMENT OF DISBURSEMENTS

			FOR THE PERIOD ENDING DECEMBER 31,	
			2005	2004
Annuity Savings Fund:				
Refunds to Members			\$159,615	\$73,909
Transfers to Other Systems			<u>141,508</u>	<u>65,331</u>
Sub Total			<u>301,123</u>	<u>139,239</u>
Annuity Reserve Fund:				
Annuities Paid			501,452	495,708
Option B Refunds			<u>4,272</u>	<u>0</u>
Sub Total			<u>505,724</u>	<u>495,708</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments			2,388,691	2,325,745
Survivorship Payments			144,484	129,795
Ordinary Disability Payments			36,694	41,638
Accidental Disability Payments			690,519	673,160
Accidental Death Payments			1,464	13,044
Section 101 Benefits			13,647	14,137
3 (8) (c) Reimbursements to Other Systems			90,149	83,409
State Reimbursable COLA's Paid			0	27,969
Chapter 389 Beneficiary Increase Paid			<u>0</u>	<u>0</u>
Sub Total			<u>3,365,648</u>	<u>3,308,897</u>
Military Service Fund:				
Return to Municipality for Members Who Withdrew Their Funds			<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend			18,000	14,250
Salaries			61,175	68,576
Medical Expenses			0	0
Travel Expenses			753	634
Administrative Expenses			2,147	13,487
Furniture and Equipment			5,266	14,133
Management Fees			187,900	113,805
Service Contracts			3,939	3,455
Fiduciary Insurance			<u>2,286</u>	<u>0</u>
Sub Total			<u>281,466</u>	<u>228,342</u>
Total Disbursements			<u>\$4,453,960</u>	<u>\$4,172,186</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004
Investment Income Received From:		
Cash	\$1,084	\$610
Pooled or Mutual Funds	<u>1,114,486</u>	<u>893,121</u>
Total Investment Income	<u>1,115,570</u>	<u>893,731</u>
Plus:		
Realized Gains	2,102,122	1,850,040
Unrealized Gains	3,520,741	3,102,443
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>113</u>	<u>44</u>
Sub Total	<u>5,622,977</u>	<u>4,952,526</u>
Less:		
Realized Loss	0	0
Unrealized Loss	(2,566,439)	(1,967,435)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(44)</u>	<u>0</u>
Sub Total	<u>(2,566,483)</u>	<u>(1,967,435)</u>
Net Investment Income	<u>4,172,063</u>	<u>3,878,823</u>
Income Required:		
Annuity Savings Fund	56,418	52,045
Annuity Reserve Fund	125,915	128,953
Military Service Fund	110	110
Expense Fund	<u>281,466</u>	<u>228,342</u>
Total Income Required	<u>463,908</u>	<u>409,449</u>
Net Investment Income	<u>4,172,063</u>	<u>3,878,823</u>
Less: Total Income Required	<u>463,908</u>	<u>409,449</u>
Excess Income To The Pension Reserve Fund	<u>\$3,708,155</u>	<u>\$3,469,374</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2005			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$586,426	1.6%	100%
PRIT Cash Fund	0	0.0%	100%
PRIT Core Fund	<u>36,643,473</u>	<u>98.4%</u>	100%
Grand Total	<u>\$37,229,899</u>	<u>100.0%</u>	

For the year ending December 31, 2005, the rate of return for the investments of the Newburyport Retirement System was 12.72%. For the five-year period ending December 31, 2005, the rate of return for the investments of the Newburyport Retirement System averaged 7.96%. For the twenty-one year period ending December 31, 2005, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Newburyport Retirement System was 9.26%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Newburyport Retirement System submitted supplementary investment regulations, which were approved by PERAC. After transferring their investments into the PRIT fund, these regulations are no longer applicable.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Newburyport Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$611.28 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account. §

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Newburyport Retirement System has not submitted any supplementary membership regulations to PERAC for approval.

October 18, 2002

The Newburyport Retirement System has adopted Supplemental Travel Regulations pursuant to PERAC guidelines and approved by PERAC under the provisions of G.L. c.7, § 50 and G.L. c.32, § 21(4). (Regulations are available upon written request.)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the City Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: William Squillace

Appointed Member:	Alexander Kravchuk	Term Expires:	Until a successor is named
-------------------	--------------------	---------------	----------------------------

Elected Member:	Franklin J. Spaulding	Term Expires:	12/05/08
-----------------	-----------------------	---------------	----------

Elected Member:	J. Paula Fowler	Term Expires:	12/23/07
-----------------	-----------------	---------------	----------

Appointed Member:	Maura L. Perkins	Term Expires:	01/23/09
-------------------	------------------	---------------	----------

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	Coverage provided to a limit of
Ex-officio Member:)	\$50,000,000 under a master MACRS
Elected Member:)	sponsored policy issued through
Appointed Member:)	Travelers Casualty and Surety
		Company of America, separate
Staff Employee:)	Fidelity coverage pertaining to
		ERISA/Crime to a limit of \$1,000,000
		issued through same, deductible
		\$10,000

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2006.

The actuarial liability for active members was	\$30,835,882
The actuarial liability for vested terminated members was	257,429
The actuarial liability for non-vested terminated members was	234,894
The actuarial liability for retired members was	<u>35,145,825</u>
The total actuarial liability was	66,474,030
System assets as of that date were	<u>37,002,260</u>
The unfunded actuarial liability was	<u>\$29,471,770</u>
The ratio of system's assets to total actuarial liability was	55.7%
As of that date the total covered employee payroll was	\$13,190,096

The normal cost for employees on that date was 8.4% of payroll

The normal cost for the employer was 6.5% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
 Rate of Salary Increase: Ranges from 4.75% to 5.25% per annum depending upon group and service time.

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2006	\$37,002,260	\$66,474,030	\$29,471,770	55.7%	\$13,190,096	223.4%
1/1/2004	\$30,268,510	\$59,174,516	\$28,906,006	51.2%	\$13,268,217	217.9%
1/1/2001	\$25,863,545	\$45,400,476	\$19,536,931	57.0%	\$10,661,228	183.3%
1/1/2000	\$25,339,849	\$42,531,583	\$17,191,734	59.6%	\$10,041,055	171.2%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Retirement in Past Years										
Superannuation	13	9	8	9	8	7	28	12	2	3
Ordinary Disability	0	2	0	0	0	0	0	0	0	0
Accidental Disability	0	1	2	1	0	3	1	0	1	0
Total Retirements	13	12	10	10	8	10	29	12	3	3
Total Retirees, Beneficiaries and	188	188	190	190	194	197	221	224	211	215
Survivors										
Total Active Members	298	318	311	332	356	364	354	341	391	386
Pension Payments										
Superannuation	\$896,532	\$1,097,946	\$1,200,995	\$1,351,427	\$1,440,876	\$1,606,188	\$1,684,990	\$2,192,794	\$2,325,745	\$2,388,691
Survivor/Beneficiary Payments	41,141	68,313	61,553	71,761	70,885	73,391	103,069	117,977	129,794	144,484
Ordinary Disability	38,823	38,823	63,205	54,800	65,672	58,289	50,579	57,196	41,638	36,694
Accidental Disability	334,153	360,143	389,545	457,478	495,993	536,683	590,532	677,250	673,160	690,519
Other	<u>243,202</u>	<u>257,493</u>	<u>249,512</u>	<u>244,284</u>	<u>235,624</u>	<u>225,518</u>	<u>219,814</u>	<u>98,637</u>	<u>138,559</u>	<u>105,260</u>
Total Payments for Year	<u>\$1,553,851</u>	<u>\$1,822,718</u>	<u>\$1,964,810</u>	<u>\$2,179,750</u>	<u>\$2,309,050</u>	<u>\$2,500,069</u>	<u>\$2,648,983</u>	<u>\$3,143,855</u>	<u>\$3,308,897</u>	<u>\$3,365,648</u>

PERAC

Five Middlesex Avenue | Third Floor
Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac